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BUSINESS & FINANCE

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A Popular Trade's Rally Reverses

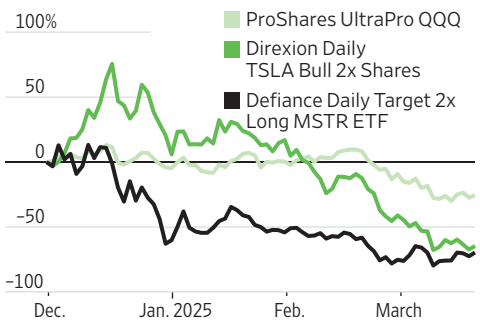
Leveraged single-stock ETFs dive after investors flocked to them last year

By Jack Pitcher

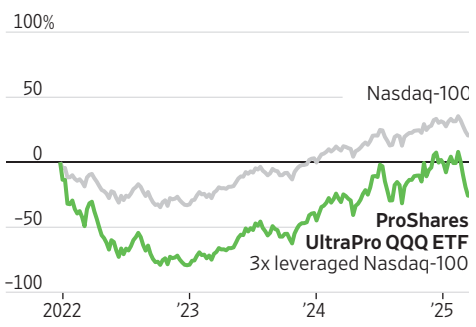
Investors who loaded up on funds that double down on their favorite stocks were rewarded with records. Now they are facing the downside.

Several popular leveraged exchange-traded funds, which use borrowed money to amplify their bets on one or more asset, have erased most of their value in a matter of weeks. Among the worst performers is a fund that offers investors twice the exposure to shares of **MicroStrategy**, the software company-turned-bitcoin collector; it has plunged 83% since touching its November high. Another ETF, which offers similar leverage on **Tesla**, is down 80%.

Popular leveraged ETF performance



ProShares UltraPro QQQ ETF vs. Nasdaq-100



Source: FactSet

"I've been literally sick to my stomach," wrote one user on a Reddit investing forum who said they bought 200 shares of a leveraged MicroStrategy fund for $200 each on the day the shares peaked in November. On Wednesday, the shares closed at $29.80.

Leveraged ETFs emerged last year as one of Wall Street's favorite roller coasters, as investors sought out ways to take bigger risks during the stock market's rally and money-management firms launched a bunch of new funds that capitalized on this demand. Assets under management in leveraged ETFs jumped by 51%, to $134 billion, in the 12 months ended Jan. 31, according to Morningstar.

Funds that offer leveraged exposure to broad stock indexes have been offered in the U.S. for more than a decade. But leveraged single-stock ETFs, like those linked to MicroStrategy and Tesla, were first approved by regulators in 2022.

The funds are designed for short-term traders and shouldn't be held for long periods, investment firms said.

The $22 billion ProShares UltraPro QQQ, for example, aims to generate three times the daily performance of the Nasdaq-100 index, up or down. On Wednesday, the Nasdaq-100 rose 1.3% and the leveraged fund rose 3.9%, approximately three times as much, as intended.

But over a period longer than one day, returns begin to differ substantially. The Nasdaq-100 index has risen nearly 20% since the end of 2021, while the fund that offers leveraged daily exposure is down more than 25%. That is because it still hasn't recovered from steep losses suffered in 2022, when a Nasdaq bear market sent the leveraged fund down more than 80%.

Morningstar analyst Jeffrey Ptak is concerned not all investors fully appreciate how quickly or severely leveraged funds' performance can veer off course. "These products have become very popular, to a worrisome extent," he said.

The relatively new class of leveraged single-stock ETFs

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European Companies Keep DEI At Home, Not in U.S.

By Ben Dummett And Joe Wallace

Companies with operations on both sides of the Atlantic have a new formula when it comes to DEI—and it depends on the location.

Grocery-store chain Aldi, investor-advisory firm Institutional Shareholder Services and lender **Banco Santander** are among the businesses that recently recalibrated their diversity, equity and inclusion policies to vary by region.

In some cases, companies are excluding the U.S. from what were once global commitments. In others, they are scrubbing buzzwords and acronyms—such as LGBTQ—from American websites and annual reports, while still promoting DEI goals elsewhere.

The moves aim to avoid unwanted attention from the Trump administration, which has ordered an end to DEI programs across federal agencies and threatened to investigate the "most egregious and discriminatory" corporate practitioners.

Facing an anemic economy at home, European corporations are eager to avoid lawsuits or consumer boycotts in the faster-growing U.S. market. The challenge is to do so while abiding by regulations in Europe, where there are moves to introduce more DEI requirements, and keeping customers and staffers on board.

"European companies choosing to pause or roll back DEI initiatives could face significant regulatory risk and reputational backlash in Europe," said Jeanne Martin of U.K.-based ShareAction, a responsible-investment nonprofit.

ISS said last month that it would no longer consider the racial or gender composition of American companies' boards when making its director voting recommendations to shareholders. But the advisory firm plans to continue to do so for European firms.

The deviation suggests ISS

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Technology Allows Farmers To Track Bird Flu

By Belle Lin

Dairy farmers across the U.S. are turning to internet-connected "smart" collars, ear and leg tags to track the specific movements and patterns of their cows.

The goal is to better manage individual animals in a herd without needing as much manual labor. That is especially important as the country's demand for dairy has increased but the number of farms has decreased.

The technology can also help detect irregular patterns that could indicate diseases like the H5N1 avian influenza, which has decimated millions of America's chickens over the past few years and spread to the nation's cows. A second strain of bird flu known as D1.1, meanwhile, recently spread from wild birds and poultry to cows in Nevada.

"Depending on the type of influenza, the cow may show signs of not eating properly," said Justin Stewart, an Arizona farmer who uses smart collars to help know when any of his 3,250 cows deviate from their normal behavior. "That triggers a health alert and then notifies us to take a look at her."

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Mother Fought for Rapper's Legacy

By Anne Steele

Biggie Smalls's mother, a preschool teacher and devout Jehovah's Witness, didn't listen to her son's music until his death.

After his killing in 1997, Voletta Wallace's life's work became fighting for control of his rights and elevating the rapper's legacy to secure his son's and daughter's financial futures. Shortly before she died late last month, she approved a deal that will do just that.

Music publisher **Primary Wave** took a 50% interest in the Notorious B.I.G. estate, valuing the late rapper's life's work at over $200 million, according to people familiar with the matter. That represents a 10-fold increase from what the estate was worth when the artist, whose real name is Christopher Wallace, was killed in a 1997 Los Angeles drive-by shooting.

MARK LENNIHAN/AP

MEDIANEWS GROUP/BOSTON HERALD/GETTY IMAGES

Biggie Smalls at the Billboard Music Awards in 1995, above. His late mother, Voletta Wallace, left, fought for control of his rights after his killing in 1997.

The estate and Primary Wave aim to use the rights to pursue projects that elevate Biggie Smalls's status as a legend, like taking his story to Broadway and creating immersive music experiences based on his catalog, some using the rapper's digital avatar.

"We're not here to chase checks," said Wayne Barrow, who co-managed the artist and, later, Voletta. He said he is focused on telling the artist's story right.

Over the years, the estate has put the catalog to work in brand partnerships with heavyweights like **Pepsi** and Budweiser. They released a new song—using verses from "I Love the Dough"—around what would have been Biggie's 50th birthday. The song featured Ty Dolla Sign and Bella Alubo, a move aimed at helping introduce the rapper to younger audiences.

Biggie was 24 years old and had only recorded two albums when he died. Yet he had already secured his place in hip-hop history with hits including "Juicy" and "Big Poppa."

While grieving the loss of her son, Voletta had to learn to navigate the cutthroat world of the music business, where everyone was looking for a piece, Barrow said.

"She trusted no one," Barrow said. "With everything she went through, she wasn't going to allow her or grandkids to be in a position where what Biggie's legacy was wasn't beneficial to them."

Biggie died without a will and his wife, singer Faith Evans, put Voletta in position to handle the day-to-day business as a co-executor. "Life After Death," Biggie's second album, came out two weeks after he died, introducing the world to hits "Hypnotize" and "Mo Money Mo Problems."

Early on, the estate was presented with an offer of about $1.5 million to $2 million for the life rights to make a movie, Barrow said.

Voletta's focus was singular: She wanted to humanize her son.

Instead of taking the deal,

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Family Sues Boeing Over Suicide

By Sharon Terlep

The family of a **Boeing** whistleblower who took his own life filed a wrongful-death lawsuit against the company, accusing the jet maker of harassing and intimidating the former quality manager after he complained of safety lapses.

John Barnett was found dead of an apparent self-inflicted gunshot wound in his car outside of a hotel in Charleston, S.C., in March 2024. Police and the coroner's office determined his death a suicide.

Barnett had been giving a deposition in a lawsuit he brought against Boeing accusing the company of retaliating against him for raising quality concerns. Police found a note next to his body with writings that included, "I pray Boeing pays!!!"

"The weight of years of harassment, abuse and humiliation became too much for John to bear, and he took his own life," the suit says. "Boeing may not have pulled the trigger, but Boeing's conduct was the clear cause, and the clear foreseeable cause, of John's death."

Boeing said it is saddened by

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Robot Droids Are Toast of Silicon Valley

By Isabelle Bousquette

SAN JOSE, Calif—**Nvidia** Chief Executive Jensen Huang invited just one guest onstage during his two-hour keynote address Tuesday: a small robotic droid named Besh

"Look how smart you are," he said, as Besh bounced along with puppylike pride.

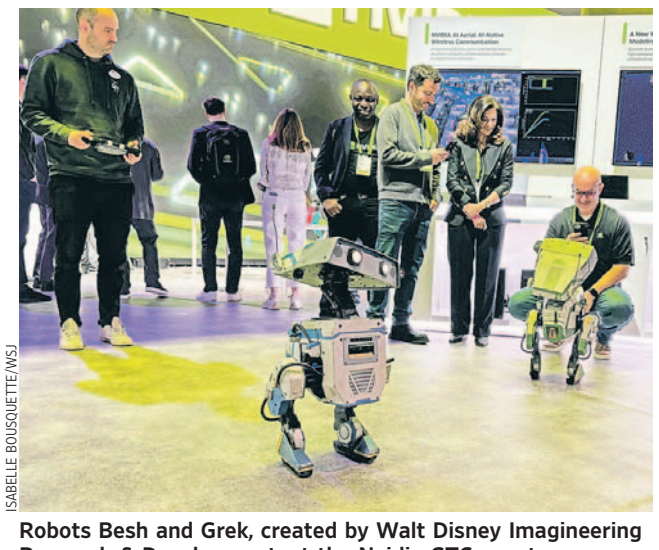
The thousands jammed into the local hockey arena for AI chip giant Nvidia's annual GTC developers event, dubbed "AI Woodstock," cheered, laughed and whipped out their phones to capture an adorable pet-size robot.

Besh, created by Walt **Disney** Imagineering Research & Development, is based on a character from a "Star Wars" videogame.

"It's a cute Disney robot. Of course it's going to steal the show," said Rev Lebaredian, vice president of Omniverse and simulation technology at Nvidia.

But it was also a precursor of one of Nvidia's latest innovations, a physics engine called Newton designed to train robots on how to navigate the physical world.

Nvidia said Newton, which



ISABELLE BOUSQUETTE/WSJ

Robots Besh and Grek, created by Walt Disney Imagineering Research & Development, at the Nvidia GTC event.

is expected to be available later this year and was co-developed with Google DeepMind and Disney Research, will have implications for training robots in areas like healthcare and logistics, fueling what Lebaredian said will become a $10 trillion industry that redefines the value and availability of human labor.

Some of these industry-specific robots were also showcased on the convention floor: One sorted small cubes into piles, another struggled to push a vacuum cleaner around a small rug.

But during Huang's keynote and afterward, it was Besh and its robo sibling, Grek, also tootling around the GTC convention floor, that caught the attention of attendees.

"Everybody seems to love interacting with them, taking photos with them," said Kyle Laughlin, senior vice president at Walt Disney Imagineering Research & Development. "They've become true stars."

Moritz Bächer, associate lab director of robotics for Disney Research, said that the droids represent the latest in Disney's decadeslong experience with complicated mechanical systems, dating to the animatronic robots inhabiting Disneyland's decadesold Hall of Presidents.

In addition to Besh, who is blue, and Grek, who is green, Disney has two other droids in orange and red that have made a limited number of appearances at Disneyland since debuting in October 2023. They also joined their first cruise ship this past January and have scheduled appearances later this year at Tokyo Disney Resort, Disneyland Paris and Walt Disney World.

Bächer, who is considered the droids' "father," said a team of eight developed the first iteration of the droids over the course of one year. Each droid is equipped with cameras and sensors for moni-

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